

Senate File 128 - Introduced

SENATE FILE _____
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1055)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to an increase in the taxes on cigarettes and
2 tobacco products, imposing an inventory tax on tobacco
3 products, creating a health care trust fund, and providing an
4 effective date and providing an applicability provision.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
6 TLSB 1023SV 82
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1 1 Section 1. Section 421B.2, subsection 3, paragraph b, Code
1 2 2007, is amended to read as follows:
1 3 b. The cost of doing business by the retailer is presumed
1 4 to be ~~six~~ eight percent of the basic cost of cigarettes in the
1 5 absence of proof of a lesser or higher cost plus the full face
1 6 value of any stamps which may be required by any cigarette tax
1 7 act of this state to the extent not already included in the
1 8 basic cost of cigarettes.

1 9 Sec. 2. Section 421B.2, subsection 4, paragraph b, Code
1 10 2007, is amended to read as follows:

1 11 b. The cost of doing business by the wholesaler is
1 12 presumed to be ~~three~~ four percent of the basic cost of
1 13 cigarettes in the absence of proof of a lesser or higher cost,
1 14 which includes cartage to the retail outlet, plus the full
1 15 face value of any stamps which may be required by any
1 16 cigarette tax act of this state to the extent not already
1 17 included in the basic cost of cigarettes.

1 18 Sec. 3. Section 453A.6, subsection 1, Code 2007, is
1 19 amended to read as follows:

1 20 1. There is imposed, and shall be collected and paid to
1 21 the department, ~~the following taxes a tax~~ on all cigarettes
1 22 used or otherwise disposed of in this state for any purpose
1 23 ~~whatsoever.~~

1 24 ~~Class A. On cigarettes weighing not more than three pounds~~
1 25 ~~per thousand, eighteen mills on each such cigarette.~~

1 26 ~~Class B. On cigarettes weighing more than three pounds per~~
1 27 ~~thousand, eighteen mills equal to six and eight-tenths cents~~
1 28 ~~on each such cigarette.~~

1 29 Sec. 4. Section 453A.6, Code 2007, is amended by adding
1 30 the following new subsection:

1 31 NEW SUBSECTION. 7. Cigarettes shall be sold only in
1 32 packages of twenty or more cigarettes.

1 33 Sec. 5. Section 453A.35, Code 2007, is amended to read as
1 34 follows:

1 35 453A.35 TAX AND FEES PAID TO GENERAL FUND AND HEALTH CARE
2 1 TRUST FUND.

2 2 The proceeds derived from the sale of stamps and the
2 3 payment of taxes, fees, and penalties provided for under this
2 4 chapter, and the permit fees received from all permits issued
2 5 by the department, with the exception of proceeds derived from
2 6 payment of taxes pursuant to section 453A.6, subsection 1, and
2 7 section 453A.43, subsections 1 and 2, which shall be deposited
2 8 in the health care trust fund pursuant to section 453A.35A.

2 9 shall be credited to the general fund of the state. All
2 10 permit fees provided for in this chapter and collected by
2 11 cities in the issuance of permits granted by the cities shall
2 12 be paid to the treasurer of the city where the permit is
2 13 effective, or to another city officer as designated by the
2 14 council, and credited to the general fund of the city. Permit
2 15 fees so collected by counties shall be paid to the county
2 16 treasurer.

2 17 Sec. 6. NEW SECTION. 453A.35A HEALTH CARE TRUST FUND.
2 18 A health care trust fund is created in the office of the
2 19 treasurer of state. The fund consists of the revenues
2 20 generated from the taxes imposed on cigarettes and tobacco
2 21 products pursuant to section 453A.6, subsection 1, and section
2 22 453A.43, subsections 1 and 2. Moneys in the fund shall be
2 23 separate from the general fund of the state and shall not be
2 24 considered part of the general fund of the state. However,
2 25 the fund shall be considered a special account for the
2 26 purposes of section 8.53 relating to generally accepted
2 27 accounting principles. Moneys in the fund shall be used only
2 28 as specified in this section and shall be appropriated only
2 29 for the uses specified. Moneys in the fund are not subject to
2 30 section 8.33 and shall not be transferred, used, obligated,
2 31 appropriated, or otherwise encumbered, except as provided in
2 32 this section. Notwithstanding section 12C.7, subsection 2,
2 33 interest or earnings on moneys deposited in the fund shall be
2 34 credited to the fund.

2 35 Moneys in the fund shall only be used for the purposes of
3 1 health care.

3 2 Sec. 7. Section 453A.40, subsection 1, Code 2007, is
3 3 amended to read as follows:

3 4 1. All persons required to obtain a permit or to be
3 5 licensed under section 453A.13 ~~as distributors or section~~
3 6 ~~453A.44~~ having in their possession and held for resale on the
3 7 effective date of an increase in the tax rate cigarettes, ~~or~~
3 8 little cigars, ~~or tobacco products~~ upon which the tax under
3 9 section 453A.6 or 453A.43 has been paid, unused cigarette tax
3 10 stamps which have been paid for under section 453A.8, ~~or~~
3 11 unused metered imprints which have been paid for under section
3 12 453A.12, ~~or tobacco products for which the tax has not been~~
3 13 ~~paid under section 453A.46~~ shall be subject to an inventory
3 14 tax on the items as provided in this section.

3 15 Sec. 8. Section 453A.43, subsection 1, unnumbered
3 16 paragraph 1, Code 2007, is amended to read as follows:

3 17 A tax is imposed upon all tobacco products in this state
3 18 and upon any person engaged in business as a distributor of
3 19 tobacco products, at the rate of ~~twenty-two~~ forty-four percent
3 20 of the wholesale sales price of the tobacco products, except
3 21 little cigars as defined in section 453A.42. Little cigars
3 22 shall be subject to the same rate of tax imposed upon
3 23 cigarettes in section 453A.6, payable at the time and in the
3 24 manner provided in section 453A.6; and stamps shall be affixed
3 25 as provided in division I of this chapter. The tax on tobacco
3 26 products, excluding little cigars, shall be imposed at the
3 27 time the distributor does any of the following:

3 28 Sec. 9. Section 453A.43, subsection 2, unnumbered
3 29 paragraph 1, Code 2007, is amended to read as follows:

3 30 A tax is imposed upon the use or storage by consumers of
3 31 tobacco products in this state, and upon the consumers, at the
3 32 rate of ~~twenty-two~~ forty-four percent of the cost of the
3 33 tobacco products.

3 34 Sec. 10. Section 453A.43, subsection 3, Code 2007, is
3 35 amended to read as follows:

4 1 3. Any tobacco product with respect to which a tax has
4 2 once been imposed under this division shall not again be
4 3 subject to tax under ~~said~~ this division, ~~except as provided in~~
4 4 ~~section 453A.40.~~

4 5 Sec. 11. APPLICABILITY. Notwithstanding section 453A.40
4 6 as amended in this Act, persons required to obtain a permit or
4 7 license as specified in that section shall not be subject to
4 8 an inventory tax on the items as provided in that section as a
4 9 result of the tax increases provided in this Act.

4 10 Sec. 12. EFFECTIVE DATE. This Act, being deemed of
4 11 immediate importance, takes effect upon enactment.

4 12 EXPLANATION

4 13 This bill relates to cigarettes and tobacco products. The
4 14 bill increases the percentage of the basic cost of cigarettes
4 15 presumed to be the cost of doing business by a retailer from 6
4 16 percent to 8 percent and by a wholesaler from 3 percent to 4
4 17 percent.

4 18 The bill increases the tax on cigarettes from 1.8 cents per
4 19 cigarette to 6.8 cents per cigarette. The effect of the bill
4 20 is to increase the tax on a package of cigarettes from 36
4 21 cents to \$1.36.

4 22 The bill requires that cigarettes be sold only in packages
4 23 of 20 or more cigarettes.

4 24 The bill also provides for an increase in the tax on
4 25 tobacco products from 22 percent of the wholesale sales price
4 26 for distributors and 22 percent of the cost of tobacco
4 27 products for the use of or storage by consumers of tobacco

4 28 products, to 44 percent of the wholesale sales price or the
4 29 cost.

4 30 The bill creates a health care trust fund for deposit of
4 31 the revenues generated from the taxes on cigarettes and
4 32 tobacco products. Moneys in the fund are to be used only for
4 33 the purposes of health care.

4 34 The bill provides for payment of the inventory tax by all
4 35 persons required to obtain a distributor's, wholesaler's, or
5 1 retailer's permit, or a distributor's or subjobber's license,
5 2 who have in their possession and hold for resale on the
5 3 effective date of an increase in the tax rate, cigarettes,
5 4 little cigars, or tobacco products upon which the tax has been
5 5 paid, unused cigarette tax stamps which have been paid for,
5 6 unused metered imprints which have been paid for, or tobacco
5 7 products for which the tax has not been paid. The bill
5 8 provides that, notwithstanding the provision relating to the
5 9 inventory tax, persons required to obtain a permit or license
5 10 as specified in the bill shall not be subject to an inventory
5 11 tax on the items as provided in the bill as a result of the
5 12 tax increase provided in the bill.

5 13 The bill takes effect upon enactment.

5 14 LSB 1023SV 82

5 15 pf:nh/gg/14